

April 12, 2001

TO: Senator Snyder, Chair
Senator McDonald
Representative Dunshee
Representative Cairnes
Fred Kiga, Director, Department of Revenue
Marty Brown, Director, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: APRIL 10, 2001 REVENUE COLLECTION REPORT

General Fund-State collections were a little less than expected in the March 11 - April 10 period, with receipts \$9.8 million below the March 2001 forecast. Revenue Act (retail sales, business and occupation, use and public utility taxes), the real estate excise tax and unclaimed property transfers were the major contributors to the shortfall for the month. Estate tax payments and lottery transfers were higher than expected for the month. Revenue growth can be very volatile on a monthly basis. Last month revenue growth was very strong despite a slowing economy. It is too early to know if weakness this month is simply an offset to last month's strength or a indication that the economy is weaker than expected.

The economy is showing signs of slowing; for the most part this was expected in the March forecast. Nationally, March employment dropped 86,000 the largest decline since 1991. While the unemployment rate increased only 0.1 percent to 4.3 percent, the employment decline surprised most economists. At the state level, although the economy continues to add jobs, the February unemployment rate jumped to 5.5 percent from 5.0 percent in January and from 5.2 percent a year-ago. Revenue Act receipts this month (primarily reflecting February 2001 business activity) were up only 0.5 percent (adjusting for special factors) from the year-ago level. This is the weakest growth since early 1998. Although the weak year-over-year growth reflects a softening economy, fewer days this February compared to a year-ago and the February 28th earthquake also likely contributed to the weak growth for the month. In addition, growth last month was exceptionally strong, 8.4 percent. Revenue Act growth for the last two months is 4.4 percent, which is still pretty good in a slowing economy.

Preliminary data on taxes paid this period (February business activity) showed a small increase in year-over year tax payments. However, there was notable weakness in several key sectors of the economy and some of the increases were due to special circumstances. Increases were reported in the manufacturing, transportation, communications and utilities and the services sectors. The increase in manufacturing was, however, due to an anomaly, reflecting the fact that year-ago payments in the manufacturing sector were depressed due a strike in the aerospace sector. The increase in payments reported by the transportation, communications and utilities sector likely reflected higher payments of public utility taxes due to soaring electricity and natural gas prices. The areas of weakness included the construction, wholesaling, retailing and finance, insurance and real estate sectors. Especially notable was the fact that these sectors did not just report slower growth, they all reported year-over-year declines in tax payments.

Other General Fund taxes collected by the Department of Revenue were \$2.4 million less than the estimate for the month. Weaker than expected real estate excise tax, cigarette tax and unclaimed property transfers more than offset higher than expected estate and liquor tax collections.

Real estate excise activity was weaker than expected in February (February closings reflecting state tax payments in March) despite lower mortgage rates. Statewide, real estate excise activity was down 12.5 percent from the same period a year-ago. Last month activity was up 4.5 percent. Both the number of transactions and the average price per transaction were down. The weakness this month was due to considerable slowing in King County. Taxable real estate activity was down 31.0 percent in King County. The level of taxable activity in King County was the lowest in five years. Excluding King County, taxable activity was up 4.8 percent for the month and 5.5 percent for the first two months of calendar 2001.

Other agencies' collections were 1.6 million above the forecast in March. Department of Licensing General Fund collections were \$0.1 million more than the estimate while lottery General Fund deposits were \$1.5 million higher than expected.

The attached Table 1 provides a comparison of collections with the forecast for the March 11 - April 10, 2001 collection period and cumulatively since the last forecast. The cumulative variance is virtually identical to the variance for the current collection period in Table 1 because the monthly estimates based on the March 2001 forecast have been adjusted to reflect actual collections through March 10, 2001. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
April 10, 2001 Collections Compared to the March 2001 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
March 11 - April 10, 2001				
Department of Revenue-Total	\$604,084	\$592,711	(\$11,373)	-1.9%
Revenue Act** (1)	536,628	527,701	(8,928)	-1.7%
Non-Revenue Act(2)	67,456	65,010	(2,445)	-3.6%
Liquor Sales/Liter	6,045	6,177	131	2.2%
Cigarette	5,628	5,419	(209)	-3.7%
Property (State School Levy)	13,379	13,326	(53)	-0.4%
Estate	16,360	17,734	1,374	8.4%
Real Estate Excise	24,117	22,454	(1,664)	-6.9%
Timber (state share)	0	0	0	NA
Other	1,927	(99)	(2,025)	-105.1%
Department of Licensing (2)	541	648	107	19.8%
Lottery (2)	5,483	6,992	1,509	27.5%
Total General Fund-State***	\$610,108	\$600,351	(\$9,757)	-1.6%
Cumulative Variance Since the March Forecast (March 11 - April 10, 2001)3				
Department of Revenue-Total	\$604,084	592,711	(11,373)	-1.9%
Revenue Act** (3)	536,628	527,701	(8,928)	-1.7%
Non-Revenue Act(4)	67,456	65,010	(2,445)	-3.6%
Liquor Sales/Liter	6,045	6,177	131	2.2%
Cigarette	5,628	5,419	(209)	-3.7%
Property (State School Levy)	13,379	13,326	(53)	-0.4%
Estate	16,360	17,734	1,374	8.4%
Real Estate Excise	24,117	22,454	(1,664)	-6.9%
Timber (state share)	0	0	0	NA
Other	1,927	(99)	(2,025)	-105.1%
Department of Licensing (4)	541	618	77	14.2%
Lottery (4)	5,483	6,992	1,509	27.5%
Total General Fund-State***	\$610,108	\$600,321	(\$9,787)	-1.6%

1 Collections March 11 - April 10, 2001. Collections primarily reflect February 2001 activity of monthly taxpayers.

2 March 1-31, 2001 collections.

3 Cumulative collections, estimates and variance since the March 2001 forecast; (March 11- April 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the March 2001 forecast; (March 2001) and revisions to history.)

* Based on the March 2001 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
March 10, 2001 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
February 11 - March 10, 2001				
Department of Revenue-Total	\$679,817	\$680,296	\$479	0.1%
Revenue Act (1)	623,697	623,697	(0)	-0.0%
Non-Revenue Act(2)	56,120	56,600	480	0.9%
Liquor Sales/Liter	6,321	6,321	(0)	-0.0%
Cigarette	4,582	4,582	(0)	-0.0%
Property (State School Levy)	4,321	4,321	(0)	-0.0%
Estate	3,334	3,334	(0)	-0.0%
Real Estate Excise	24,034	24,034	0	0.0%
Timber (state share)	3,241	3,720	479	NA
Other	10,288	10,288	0	0.0%
Department of Licensing (2)	551	516	(35)	-6.4%
Lottery (2)	10,351	10,351	0	0.0%
Total General Fund-State***	\$690,719	\$691,163	\$444	0.1%
Cumulative Receipts: November 11 - March 10, 2001 & Revisions to History				
Department of Revenue-Total	3,660,364	\$3,660,844	\$480	0.0%
Revenue Act (3)	2,823,791	2,823,791	(0)	-0.0%
Non-Revenue Act(4)	836,573	837,053	480	0.1%
Liquor Sales/Liter	31,028	31,028	0	0.0%
Cigarette	21,049	21,049	(0)	-0.0%
Property (State School Levy)	576,102	576,095	(7)	-0.0%
Estate	28,871	28,871	(0)	-0.0%
Real Estate Excise	119,552	119,552	(0)	-0.0%
Timber (state share)	7,449	7,928	479	NA
Other	52,523	52,530	7	0.0%
Department of Licensing (4)	2,226	2,160	(66)	-2.9%
Lottery (4)	28,317	28,317	0	0.0%
Total General Fund-State***	3,690,907	\$3,691,321	\$414	0.0%

P-Preliminary. Reported in the March 10, 2001 collection report.

R Revised data.

1 Collections February 11 - March 10, 2001. Collections primarily reflect January 2001 business activity of monthly taxpayers.

2 February 1-28, 2001 collections.

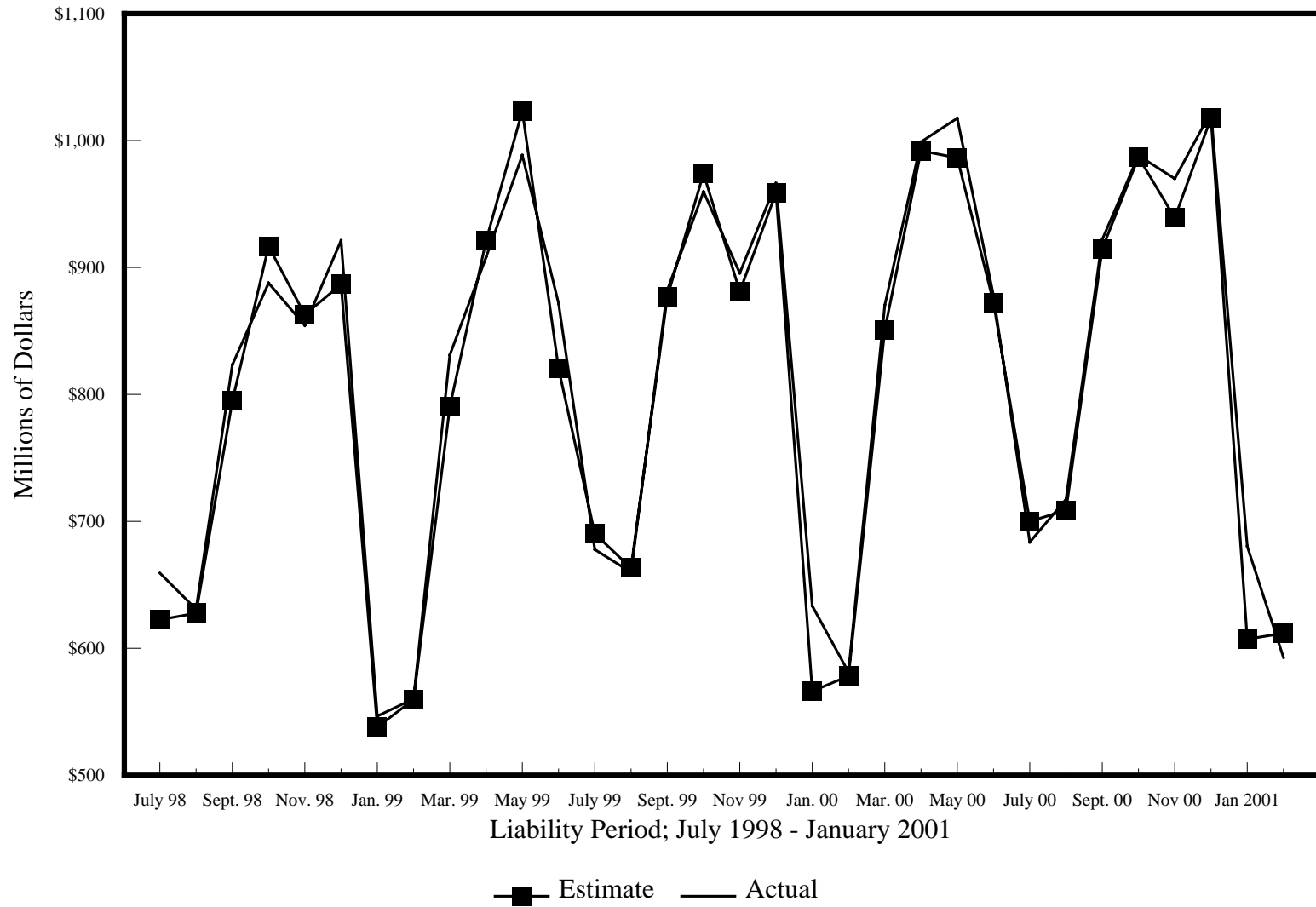
3 Cumulative variance for since the November forecast: Nov. 11 - March 10,2001 & revisions to history.

4 Cumulative variance: since the November forecast (November - February 2001) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

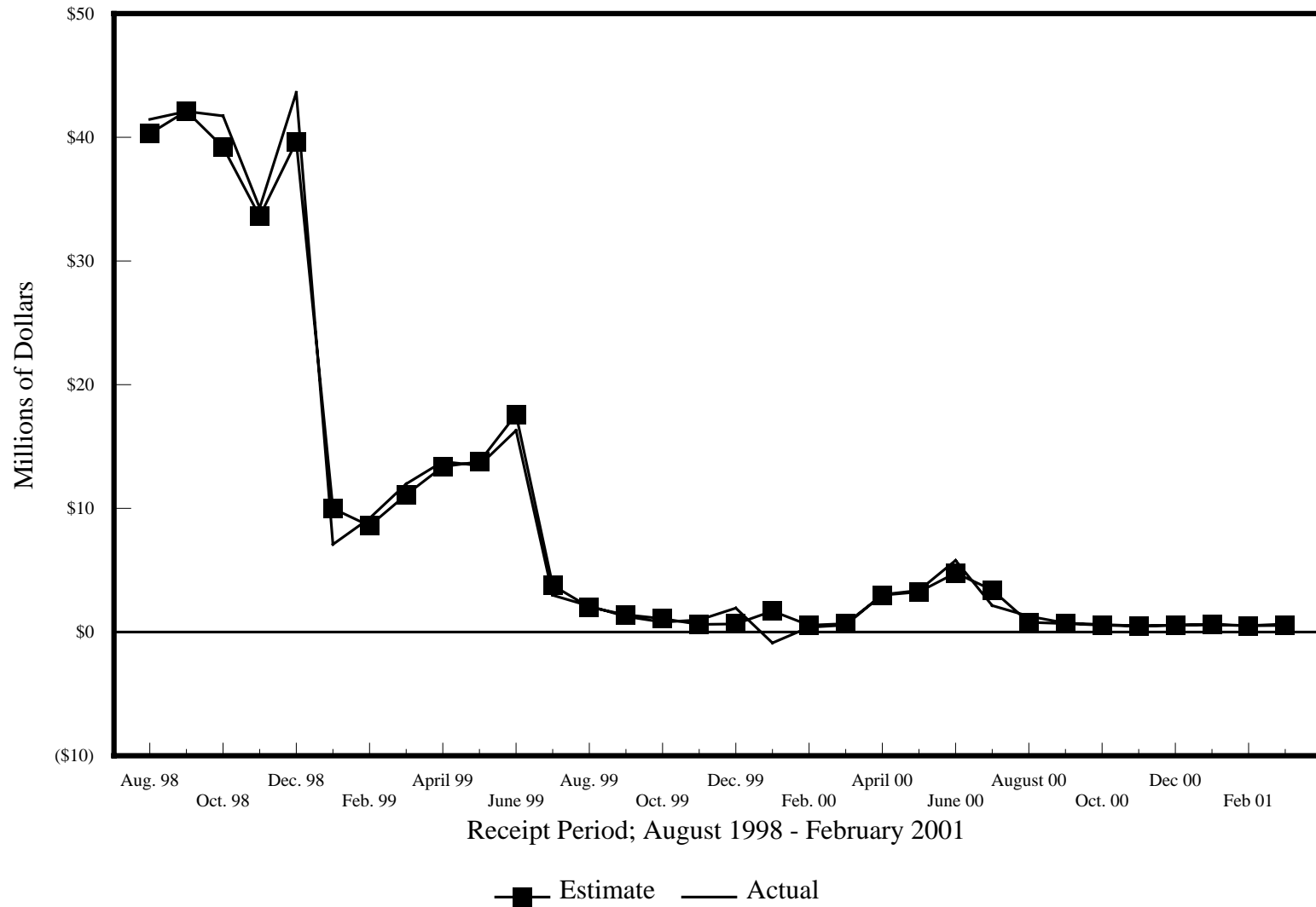
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to February 2001



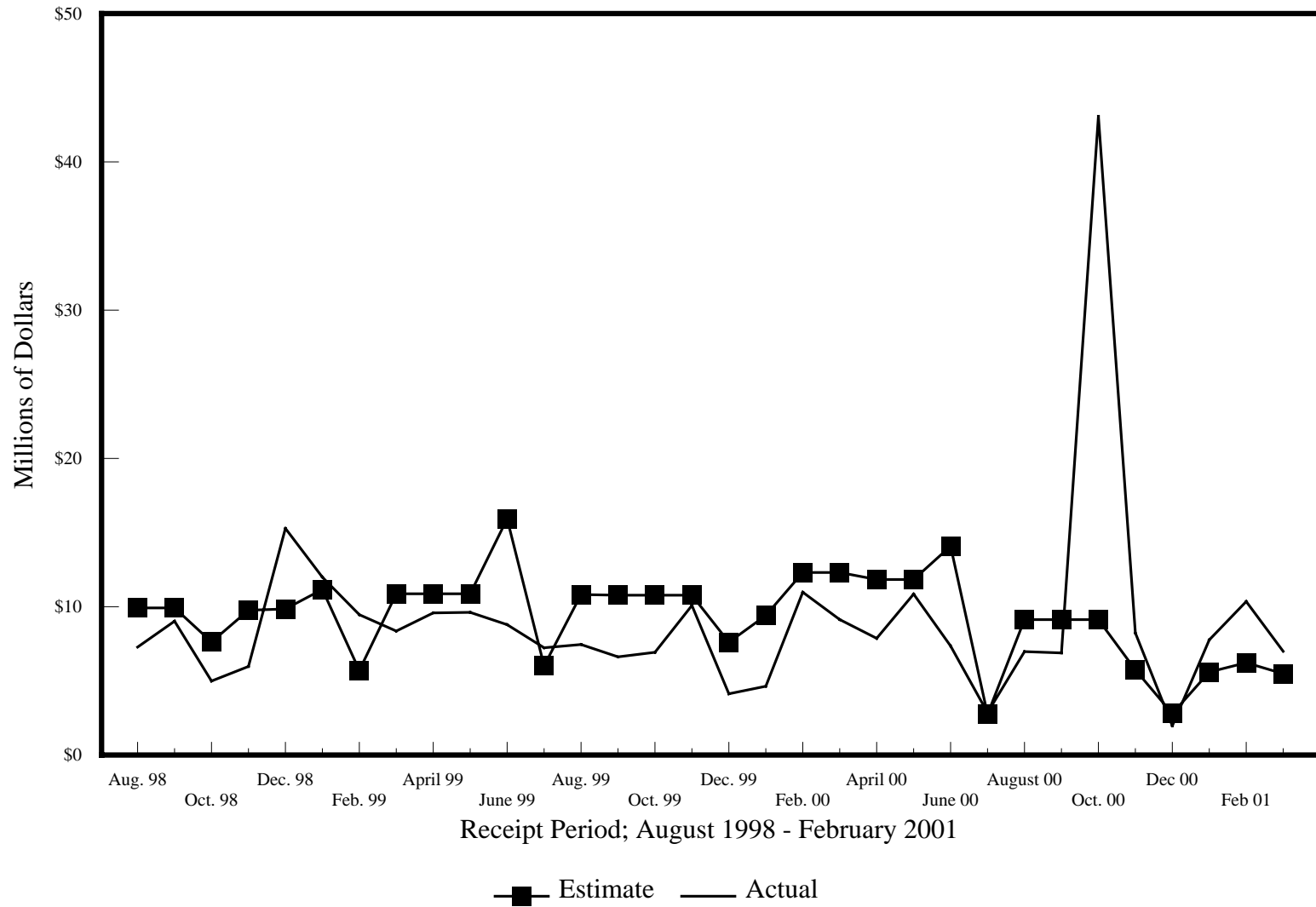
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to March 2001



Lottery Transfers to the General Fund, Actual vs. Estimate

August 98 to March 2001



Revenue Act Net Collections

Year-over-Year Percent Change

